RAND ARROYO CENTER

Leveraging Complementary Distribution Channels for an Effective, Efficient Global Supply Chain

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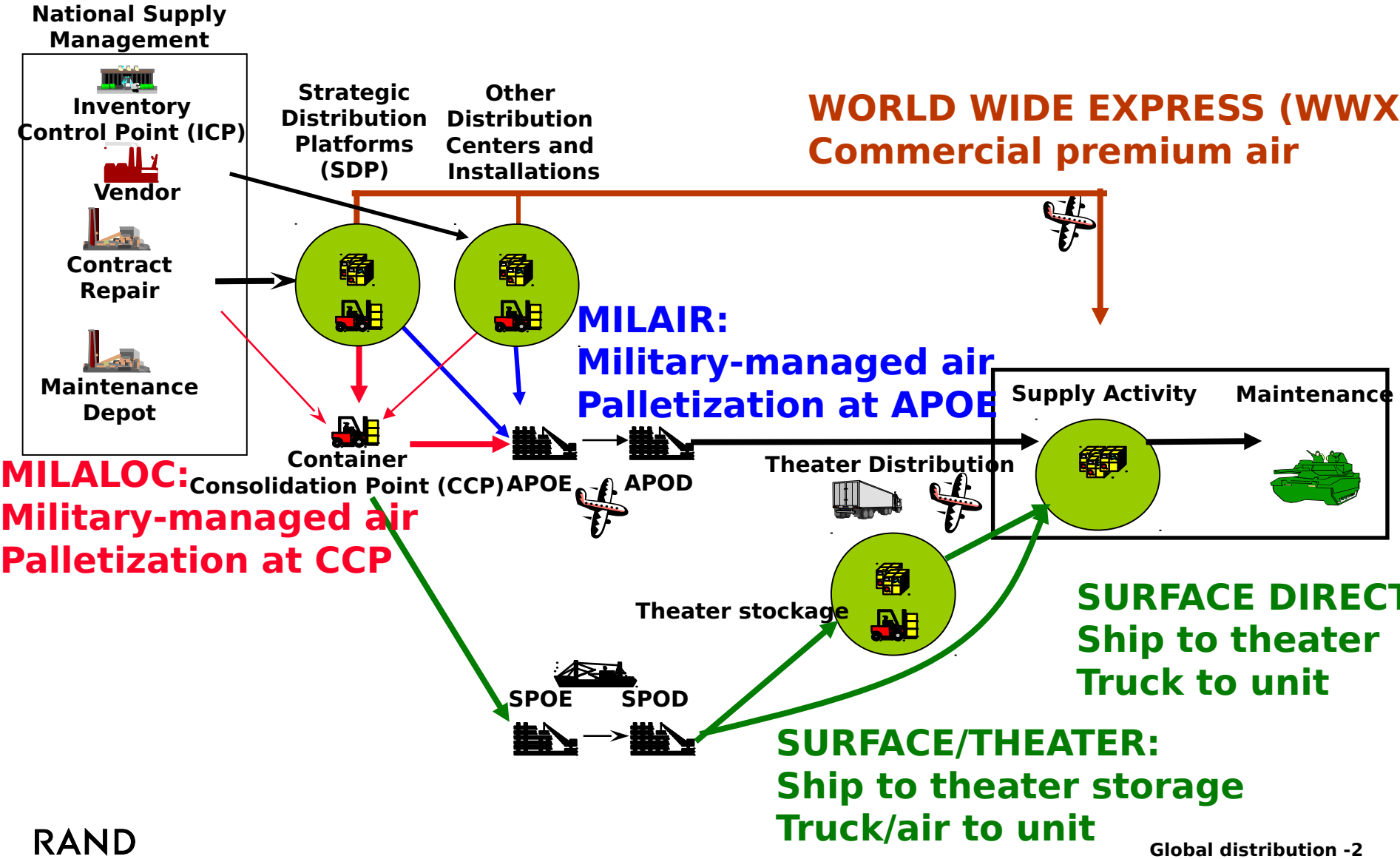
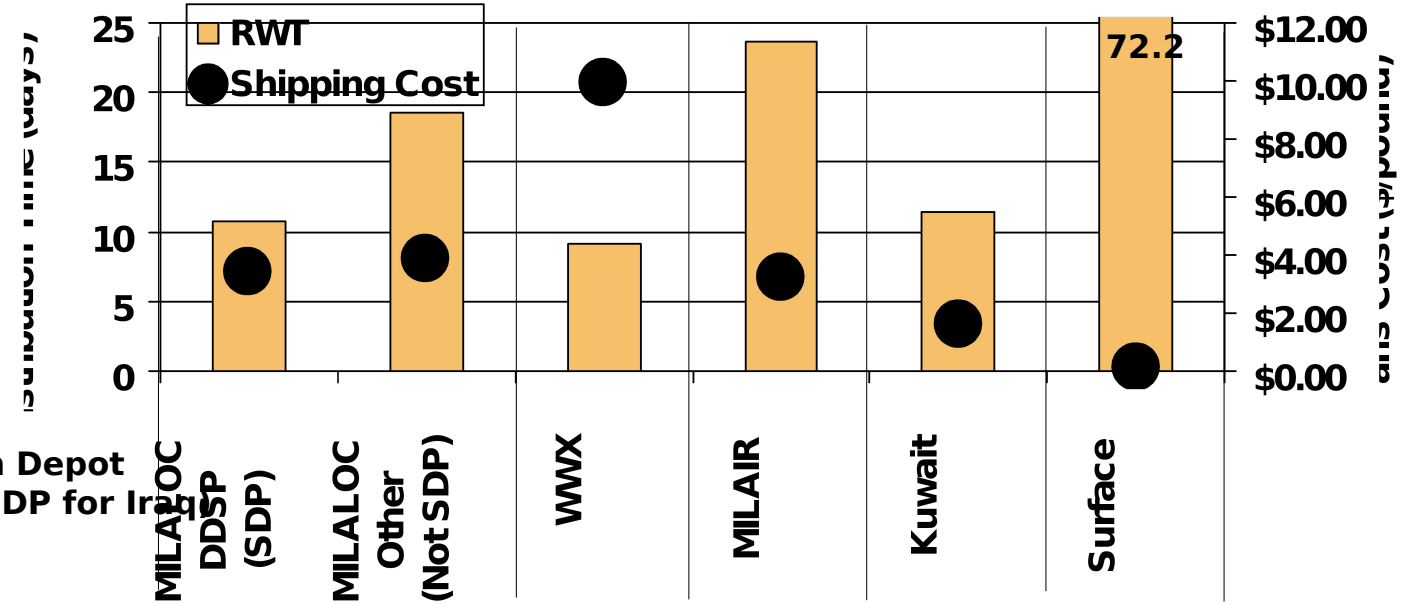
Five Major Distribution Channels for Overseas Sustainment



The Channels Provide Complementary Capability & Cost Tradeoffs

March 2006
Iraq
All services
All requisitions



DDSP = Distribution Depot Susquehanna, PA (SDP for Iraq)

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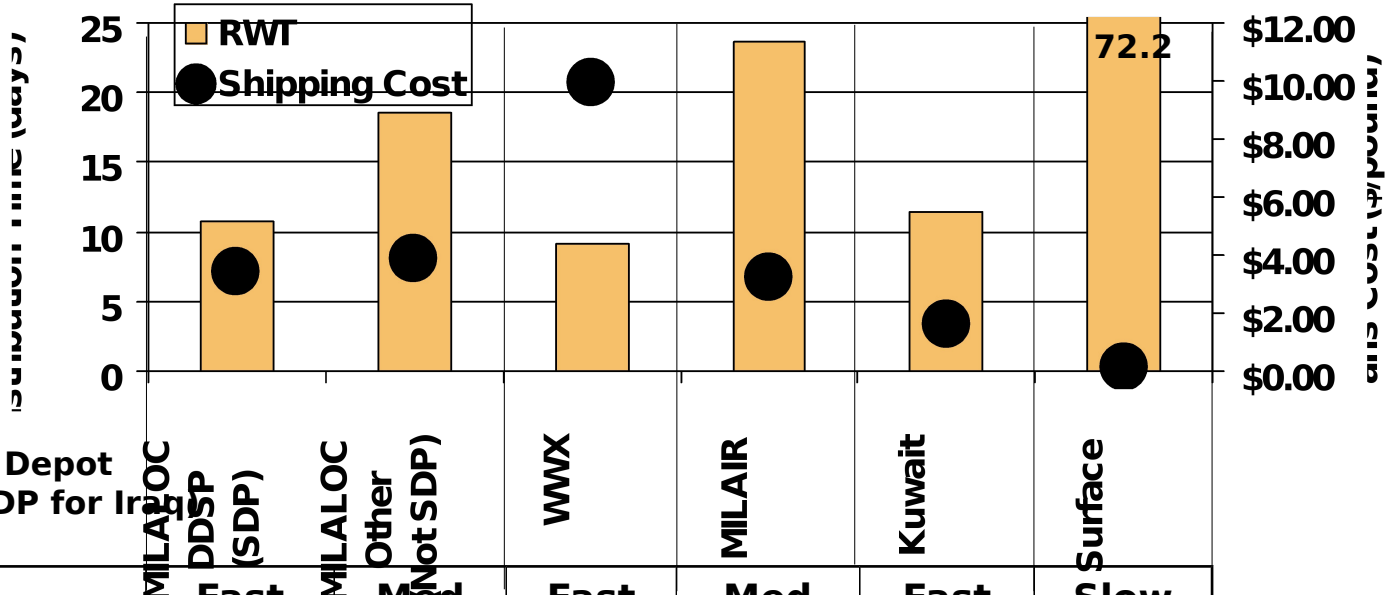
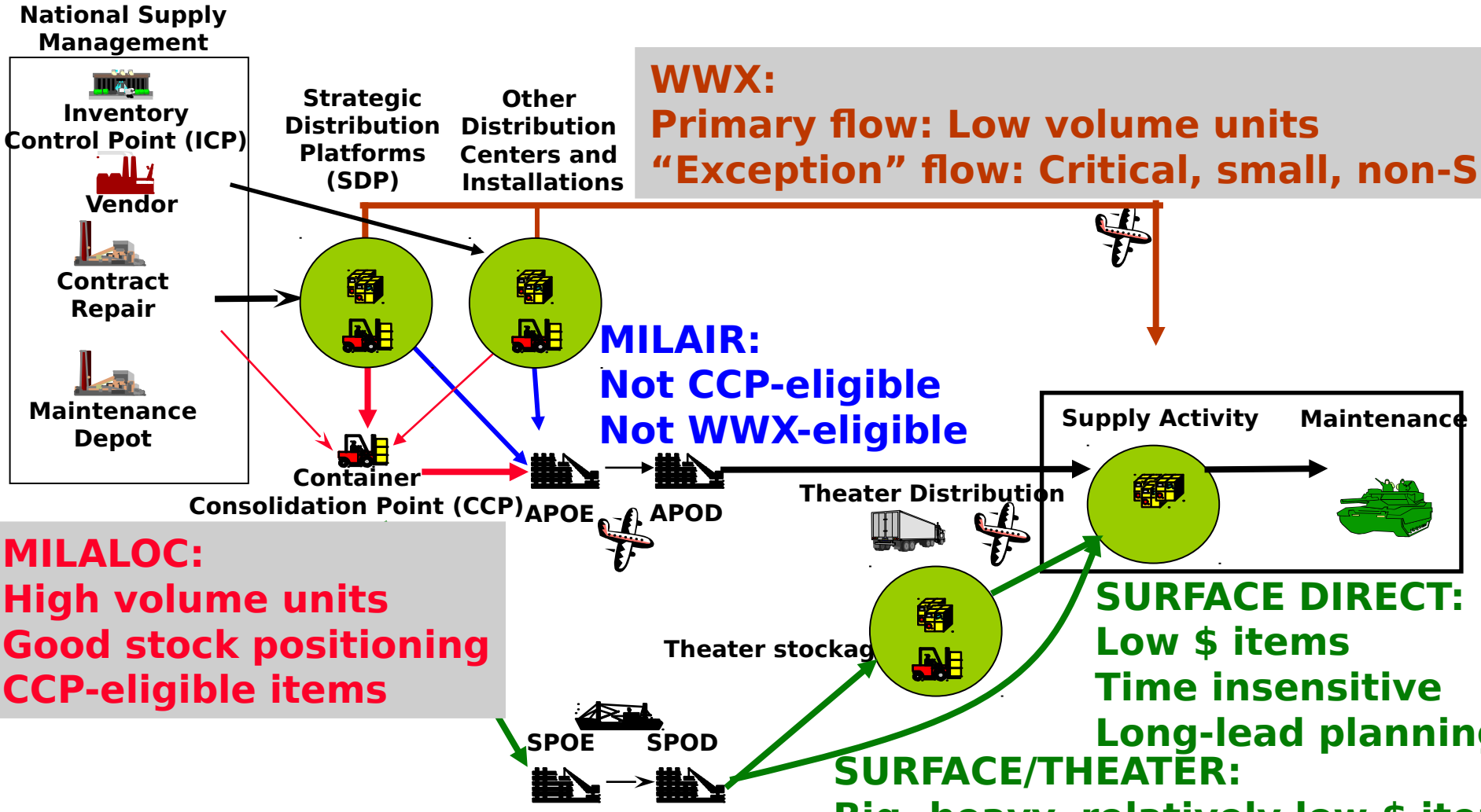


DDSP = Distribution Depot Susquehanna, PA (SDP for Iraq)

	MILALOC DDSP (SDP)	MILALOC Other (Not SDP)	WWX	MILAIR	Kuwait	Surface
Distribution speed	Fast	Med	Fast	Med	Fast	Slow
Transportation cost	Med	Med	High*	Med	Lo-Md	Low
Inventory/warehouse costs	Lower	Lower	Lower	Lower	Higher	Med
Stock at SDP	X					
CCP eligible item	X	X				
High volume unit	X	X				
Up to 150 lbs.			X			
Not-CCP or WWX-eligible				X		
High item weight to cost ratio					X	
Inexpensive/time						X

*Lower cost/similar to MILALOC in developed regions: Germany, Korea

Channel Capabilities & Costs Lead to Ideal Roles for Each



Actual Support Structure Design Reflects These Models to a Large Degree

Heavy BCT

High volume
High SDP%

SDP Weight/N %	**73/72**
Pallets/Day	**3.2**
SDP Pallets/Day	**1.7**

Potential at average pallet weight

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Units in Iraq, Jan to Mar 06

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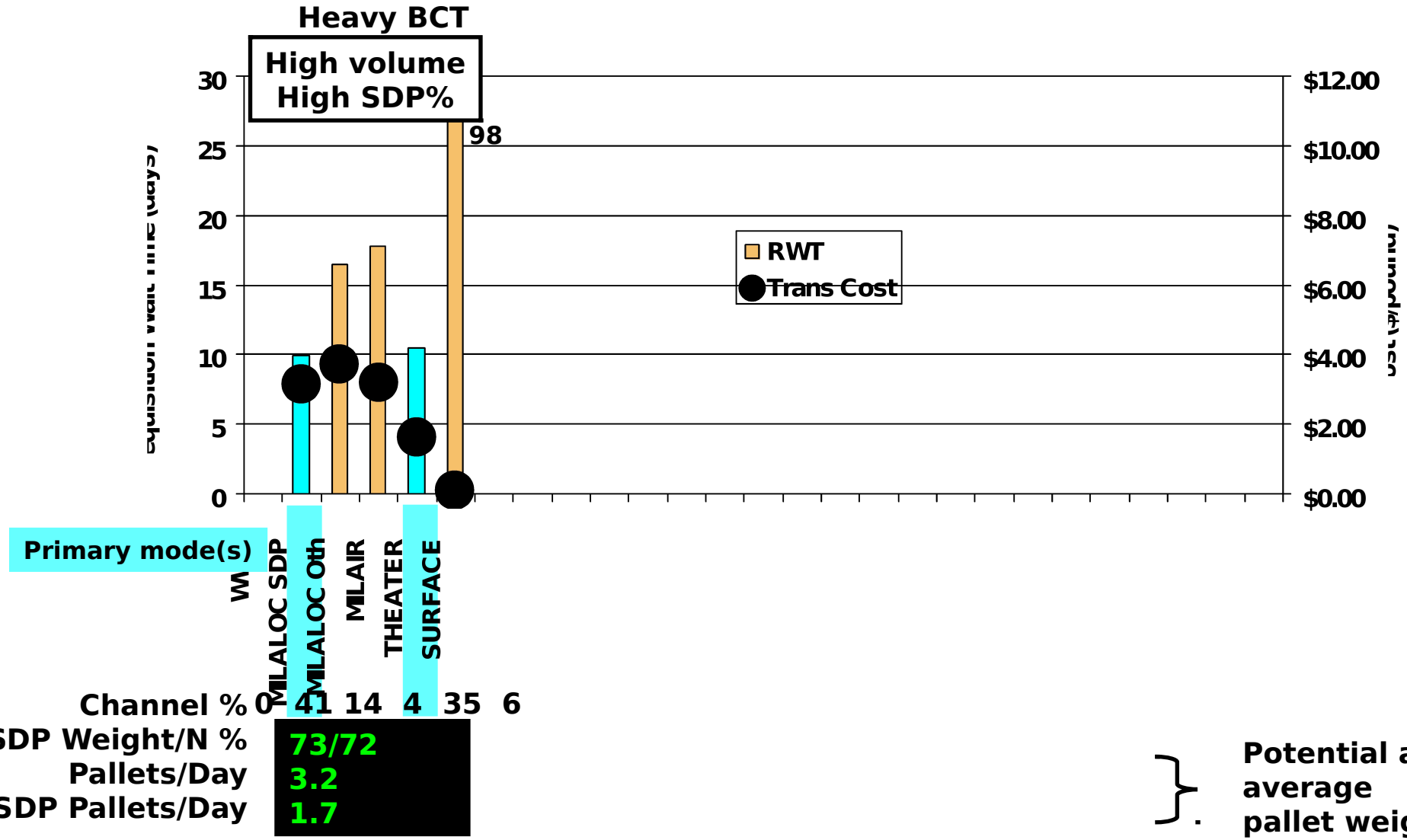

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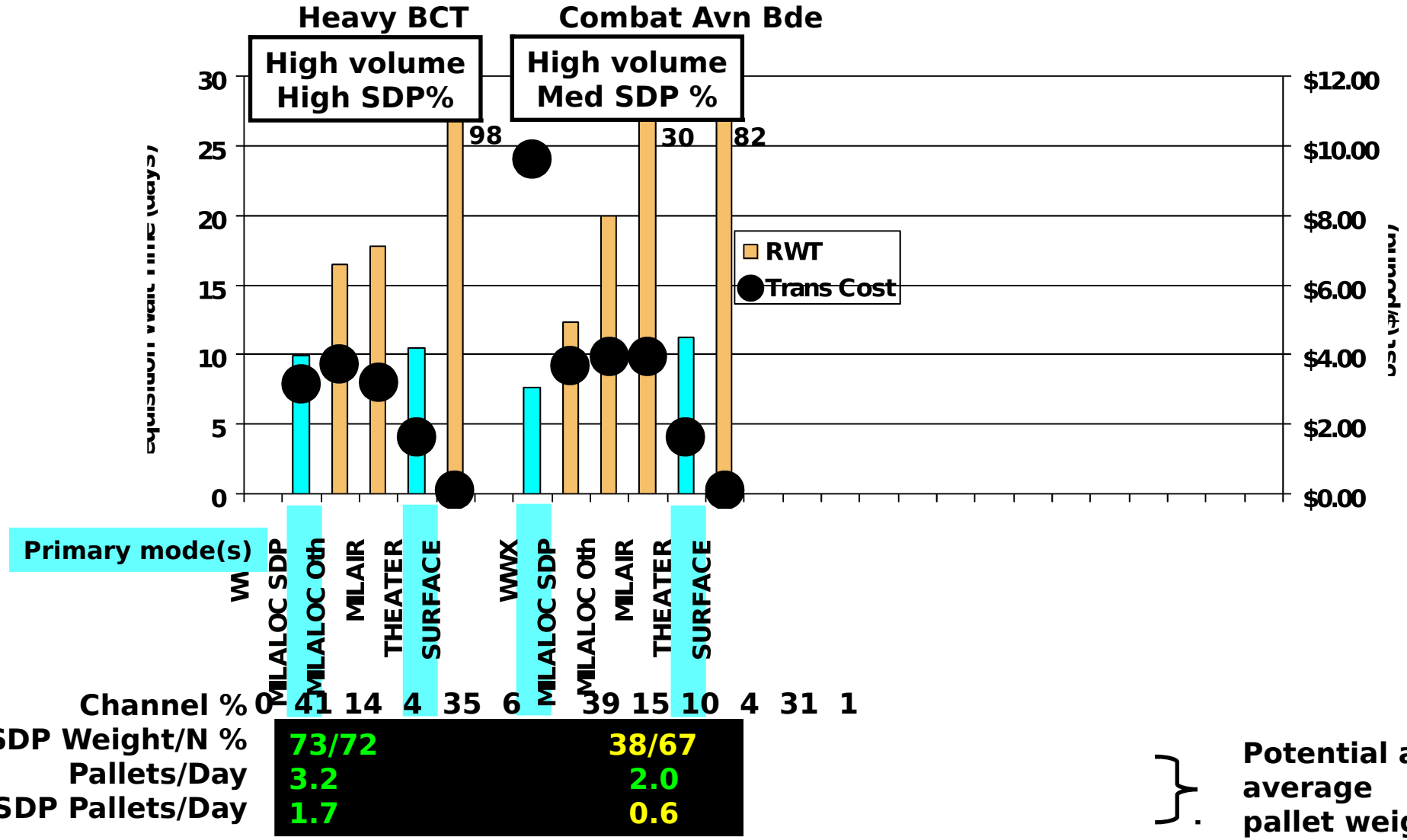

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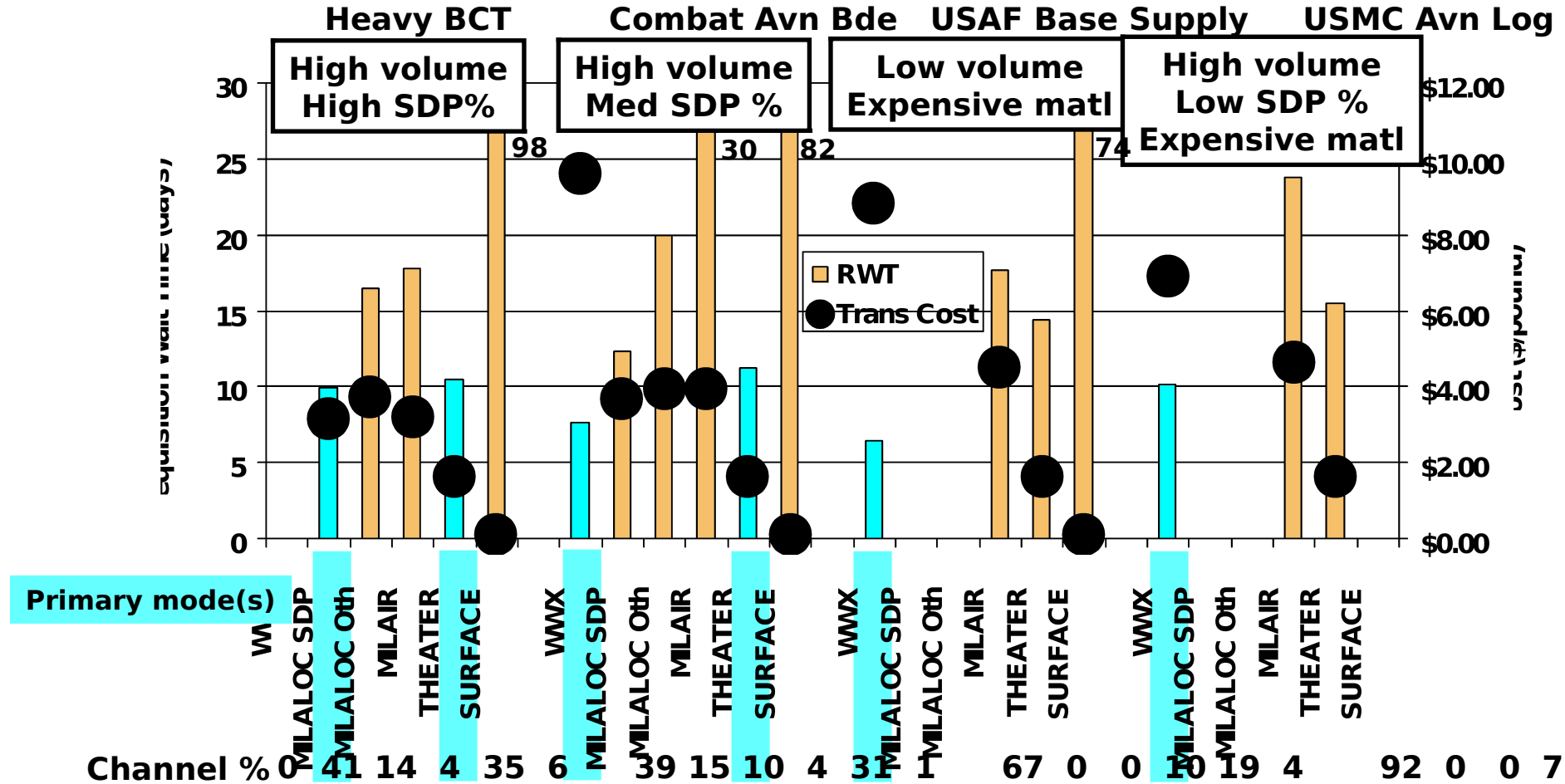

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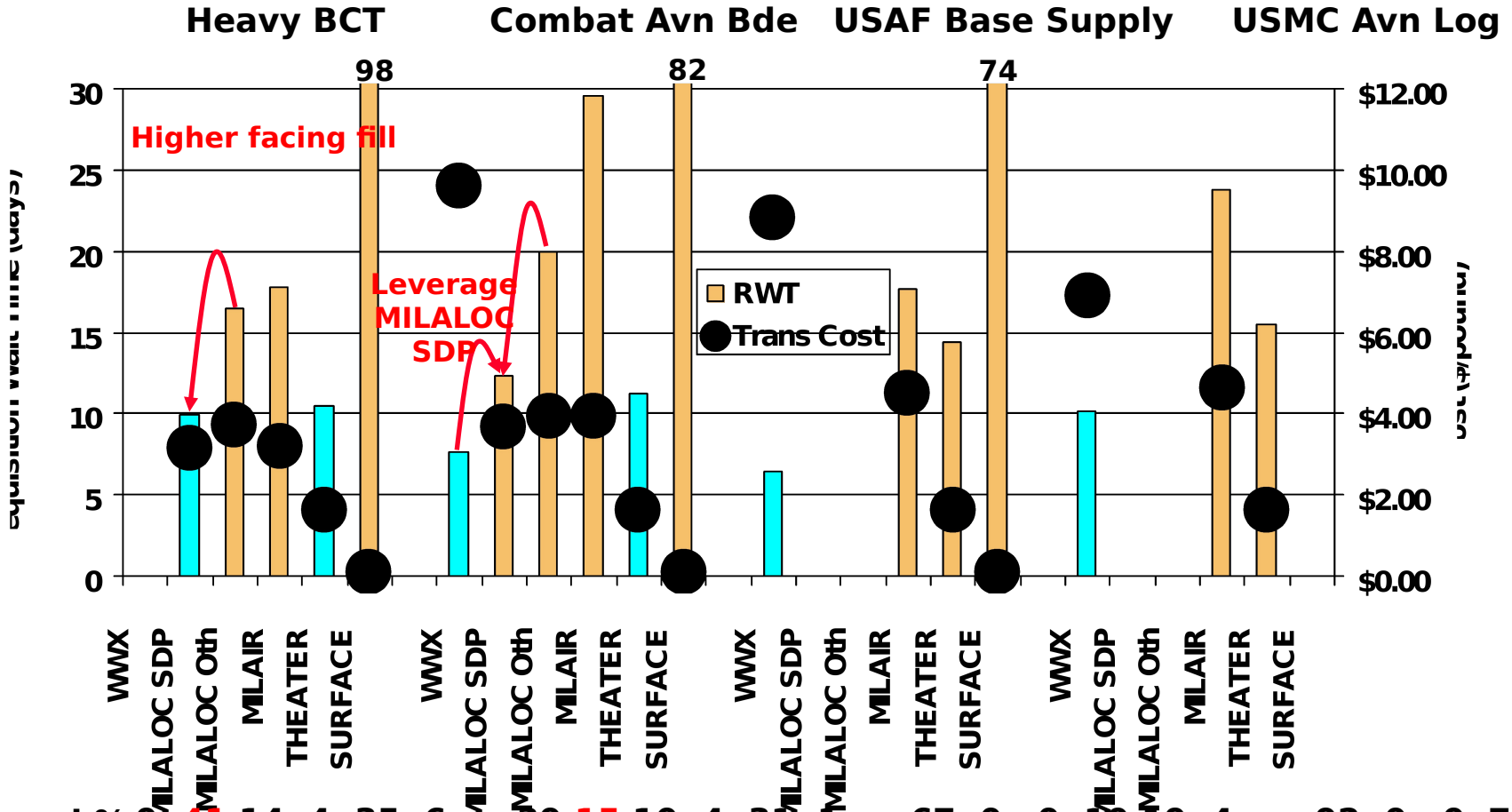
Units in Iraq, Jan to Mar 06

Routes to Improvement: Increased/Leveraged Facing Fill



Channel %	0	41	14	4	35	6		39	15	10	4	31	1		67	0	0	10	19	4		92	0	0	7
SDP Weight/N %		73/72					Higher		38/67								34/58									6/27					
Pallets/Day		3.2							2.0								1.0									1.8					
SDP Pallets/Day		1.7							0.6								0.3									0.1					

Potential at average pallet weight

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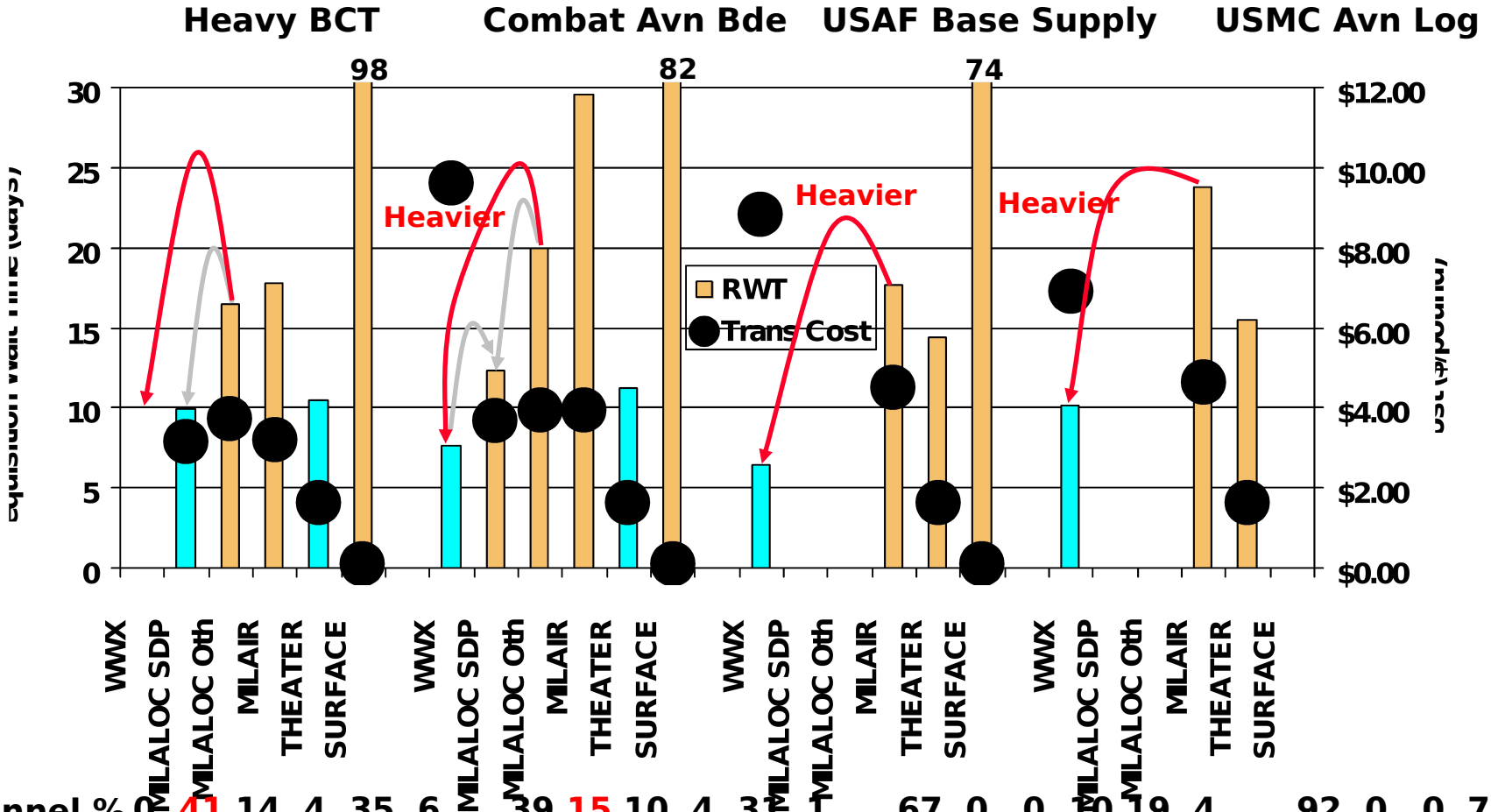
Routes to Improvement: Increased/Leveraged Facing Fill, Heavier WWX



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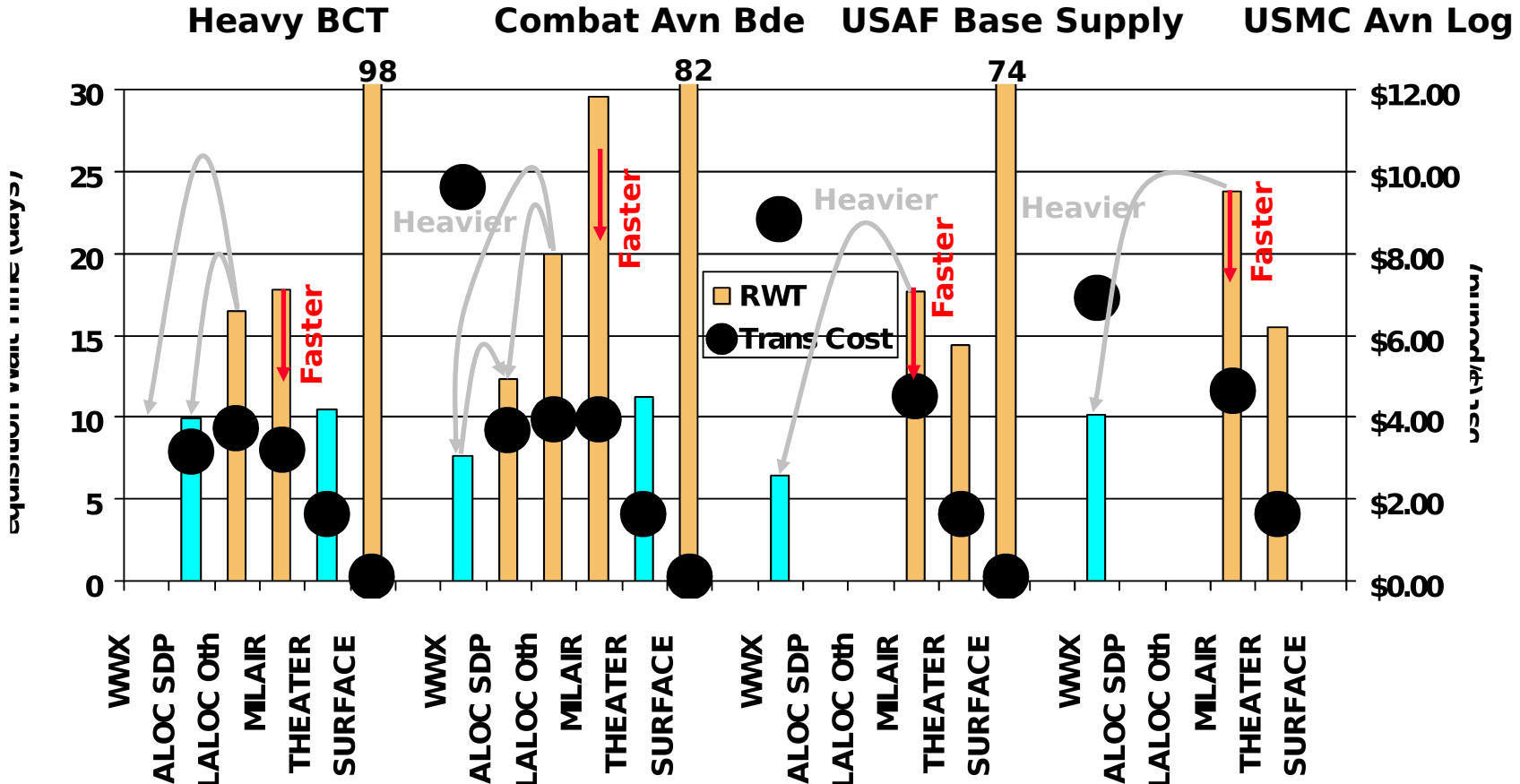
Routes to Improvement: Increased/Leveraged Facing Fill, Heavier WWX, and Faster MILAIR



Recent Improvements and Moving Forward

- **Improvements**
  - **Distribution speed to Iraq, particularly MILALOC**
  - **Forward inventory of many big, heavy items**

- **Current needs and opportunities**
  - **MILAIR improvement, especially for high-priority, non-CCP eligible items**
  - **Increased use of WWX; examine potential for heavier weight limit**
  - **Improved stock positioning at SDPs**
  - **Surface distribution speed**
  - **Further forward inventory improvement**

- **Key issues**
  - **Achieving fast distribution from day 1 of a contingency**
  - **Role of DLA vs. Services in pre/early positioning of big, heavy items**
  - **Maintain high stock availability through a conflict**
    - **War reserve funding**
    - **Army contingency obligation authority budgeting**